EUB

Proactive Compliance Report 2002/2003

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Alberta Energy and Utilities Board

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1 Introduction

Alberta Energy and Utilities Board (EUB) requirements ensure orderly and responsible energy development while protecting public safety, minimizing environmental impacts, and improving conservation.

Compliance with these requirements is confirmed by the EUB through surveillance activities, such as inspections and audits. Proactive compliance means that the duty holder (e.g., licensee, operator, company, applicant, approval holder, or permit holder) is in compliance with EUB requirements through its own initiative. *Proactive Compliance Report 2002/2003* presents the results of the enforcement ladder process for 2002 and 2003.

When a noncompliance is identified, the EUB uses a process that delineates guidelines for EUB enforcement actions. As outlined in *Informational Letter (IL) 99-4: EUB Enforcement Process, Generic Enforcement Ladder, and Field Surveillance Ladder*, an enforcement action is determined by the severity of the noncompliance event or issue and is escalated for subsequent noncompliance or failure to comply with the EUB's corrective order.

A Minor unsatisfactory event/inspection/audit is defined as a contravention of regulation(s)/requirement(s) that does not result in a direct threat to the public or the environment and does not adversely affect equity or energy development operations. A Major unsatisfactory event/inspection/audit is defined as a contravention of regulation(s)/requirements(s) that a licensee has failed to address and has the potential to cause an adverse impact on the public, the environment, equity, or resource conservation. A serious unsatisfactory event/inspection/audit is defined as a major noncompliance combined with demonstrated disregard for the regulation(s)/requirement(s).

The EUB believes that the data collected for 2003 represent a natural evolution in compliance reporting, providing more detailed information regarding Minor category events and enforcement ladder escalation.

Minor noncompliance items are site/operation/activity specific, and enforcement escalation only occurs when the licensee fails to comply. Major and Serious noncompliance items can escalate by failure to comply or due to a subsequent noncompliance in the same audit/inspection category.

IL 99-4 is used as the basis for enforcement for most audit/inspection categories listed in this report. For those audit/inspection categories where the enforcement is based on a different document, that document is specified.

2 Statistical Data

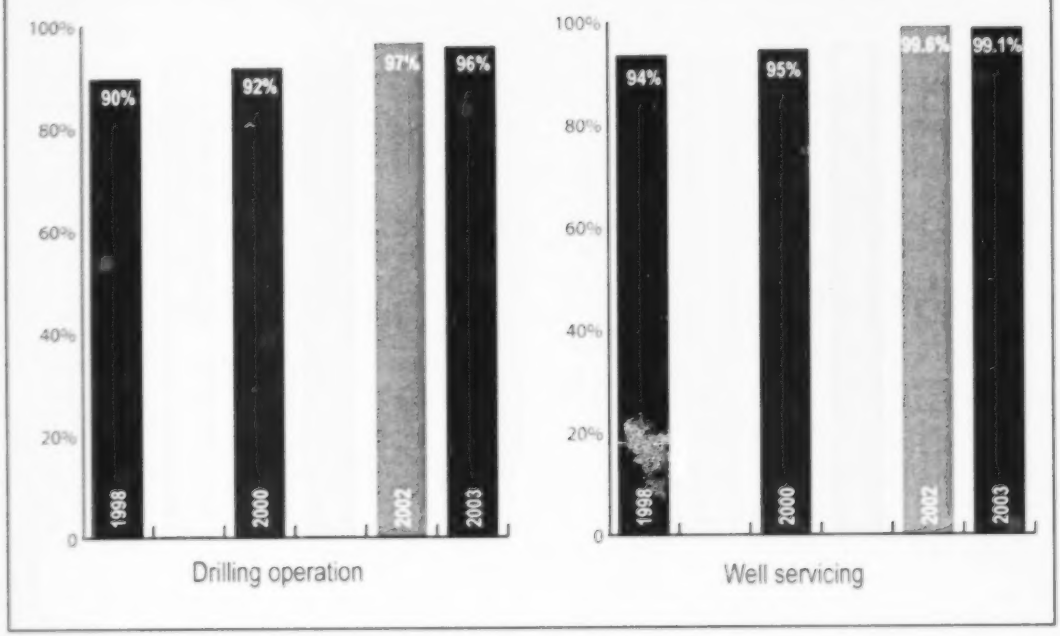
2.1 Operations Division

2.1.1 Field Surveillance

2.1.1.1 Field Operations Group

Field Surveillance is responsible for inspections of energy facilities to ensure that oil and gas operations are conducted responsibly, in a manner that protects the public, the environment, and resource conservation. Compliance data for drilling operations, well servicing, oil facilities, gas facilities, pipelines, waste facilities, drilling waste, and well site inspections are set out below and in the following pages.

Figure 1. Proactive compliance rate for drilling operation and well servicing: Major and Serious categories



Summary of Compliance Data for 1998-2002

Table 1. Drilling Operation

	1998*	1999*	2000	2001	2002
Number of inspections	550	774	572	611	433
Major/Serious unsatisfactory inspections	55	50	45	25	14
Proactive compliance rate for Major and Serious	**90%**	**94%**	**92%**	**96%**	**97%**

*Figures under implementation.

2 Statistical Data

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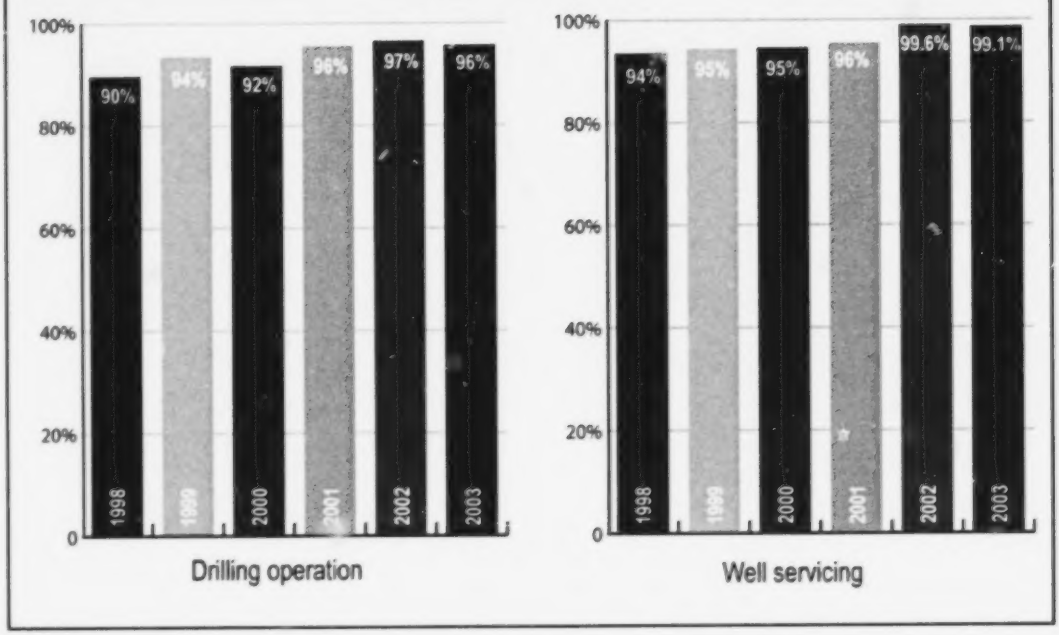

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* Pre-ladder implementation.

Table 2. Drilling Operation Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	14
Appeals received	-	-	-	-	0
Appeal rate	-	-	-	-	**0%**
Appeals granted	-	-	-	-	N/A
Appeal denial rate	-	-	-	-	**N/A**

- No historical data available.

Table 3. Well Servicing

	1998*	1999*	2000	2001	2002
Number of inspections	274	389	300	305	238
Major/Serious unsatisfactory inspections	17	21	14	11	1
Proactive compliance rate for Major and Serious	**94%**	**95%**	**95%**	**96%**	**99.6%**

* Pre-ladder implementation.

Table 4. Well Servicing Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	1
Appeals received	-	-	-	-	0
Appeal rate	-	-	-	-	**0%**
Appeals granted	-	-	-	-	N/A
Appeal denial rate	-	-	-	-	**N/A**

- No historical data available.

- The most common drilling operation and well servicing noncompliance events in 2002 were operational failure of the blowout preventer/accumulator system and inadequate crew training.
- Well servicing inspections in 2002 indicate a significant increase in compliance from previous years with near-perfect inspection record.
- There were no appeals of enforcement.

Detailed Compliance Data for 2003

Table 5. Drilling Operation

		2003
Number of inspections		**400**
Minor		
Level 1 -	Initial Minor	30
Level 2 -	Failure to comply	-
Level 3 -	Failure to comply	0
Level 4 -	Failure to comply	0
	Orders issued	0
Major		
Level 2 -	Initial Major	13
	Subsequent Major during grace period	-
Level 3 -	Failure to comply with Level 2	0
	Subsequent Major	1
	Subsequent Major during grace period	-
Level 4 -	Failure to comply with Level 3	0
	Subsequent Major	0
	Orders issued	0
Serious		
Level 3 -	Initial Serious	2
Level 4 -	Failure to comply with Level 3	0
	Subsequent Serious	0
	Orders issued	0
Proactive compliance rate for Major and Serious		**96%**

- No historical data available.

Table 6. Drilling Operation Appeal Statistics

	2003
Enforcement actions	46
Appeals received	1
Appeal rate	**2%**
Appeals granted	0
Appeal denial rate	**100%**

Table 7. Well Servicing

		2003
Number of inspections		**223**
Minor		
Level 1 -	Initial Minor	19
Level 2 -	Failure to comply	-
Level 3 -	Failure to comply	0
Level 4 -	Failure to comply	0
	Orders issued	0
Major		
Level 2 -	Initial Major	2
	Subsequent Major during grace period	-
Level 3 -	Failure to comply	0
	Subsequent Major	0
	Subsequent Major during grace period	-
Level 4 -	Failure to comply with Level 3	0
	Subsequent Major	0
	Orders issued	0
Serious		
Level 3 -	Initial Serious	0
Level 4 -	Failure to comply with Level 3	0
	Subsequent Serious	0
	Orders issued	0
Proactive compliance rate for Major and Serious		**99.1%**

- No historical data available.

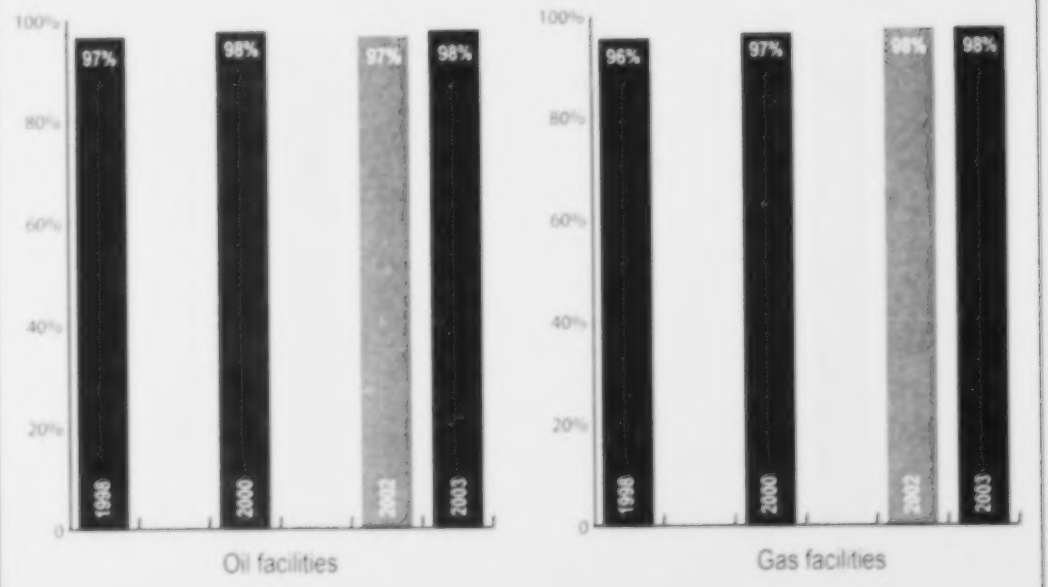
Table 8. Well Servicing Appeal Statistics

	2003
Enforcement actions	21
Appeals received	2
Appeal rate	**10%**
Appeals granted	2
Appeal denial rate	**0%**

- The most common drilling operation and well servicing noncompliance events in 2003 were operational failure of the blowout preventer/accumulator system and inadequate crew training.

- Field Surveillance has improved its process for analyzing the causes and effects of all blows and blowouts. This process assists staff in identifying candidates for regulatory review.

Figure 2: Proactive compliance rate for oil and gas facilities: Major and Serious categories



Summary of Compliance Data for 1998-2002

Table 9. Oil Facilities

	1998*	1999*	2000	2001	2002
Number of inspections	3 669	3 717	4 378	3 575	3 443
Major/Serious unsatisfactory inspections	121	128	105	129	113
Proactive compliance rate for Major and Serious	**97%**	**97%**	**98%**	**96%**	**97%**

*Pre-ladder implementation

Table 10. Oil Facilities Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	113
Appeals received	-	-	-	-	14
Appeal rate	-	-	-	-	**12%**
Appeals granted	-	-	-	-	2
Appeal denial rate	-	-	-	-	**86%**

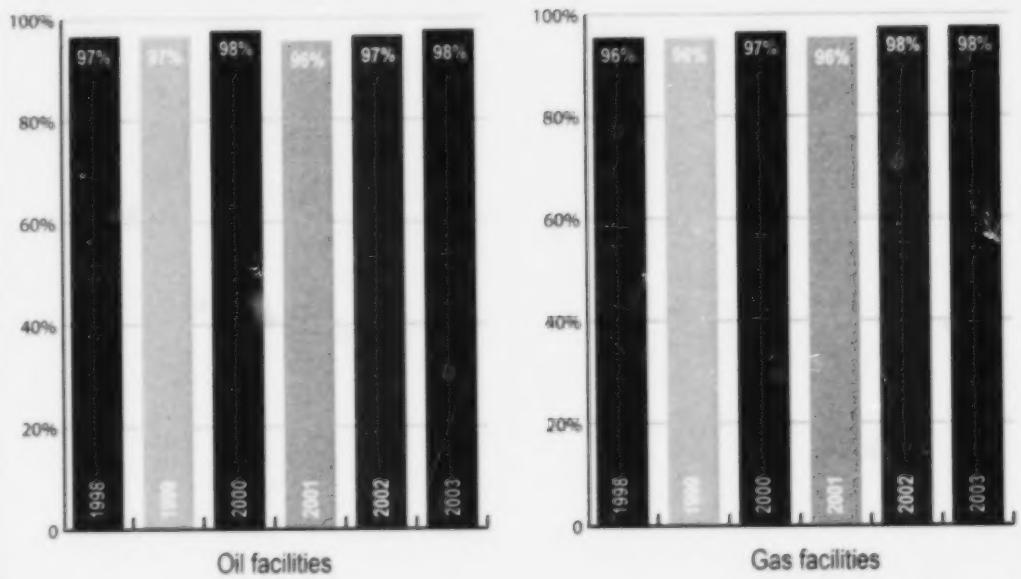
- No historical data available

Table 11. Gas Facilities

	1998*	1999*	2000	2001	2002
Number of inspections	590	650	866	1 663	2 170
Major/Serious unsatisfactory inspections	24	26	24	63	51
Proactive compliance rate for Major and Serious	**96%**	**96%**	**97%**	**96%**	**98%**

* Pre-ladder implementation

Figure 2 Proactive compliance rate for oil and gas facilities Major and Serious categories



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* Pre-ladder implementation.

Table 12. Gas Facilities Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	51
Appeals received	-	-	-	-	8
Appeal rate	-	-	-	-	**16%**
Appeals granted	-	-	-	-	2
Appeal denial rate	-	-	-	-	**75%**

- No historical data available.

- The proactive compliance rate for oil and gas facilities inspections increased 1% and 2% respectively from 2001 to 2002. This is an improvement from the previous year, when proactive compliance actually decreased.

- There was one Serious unsatisfactory oil and gas facility inspection in 2002, compared to eleven in 2001.

- In 2002 the most common oil and gas facility noncompliance events were hydrogen sulphide (H_2S) emissions off lease, inadequate secondary containment/absence of dike tank, and unattended spills.

Detailed Compliance Data for 2003

Table 13. Oil Facilities

	2003
Number of inspections	**3483**
Minor	
Level 1 - Initial Minor	1177
Level 2 - Failure to comply	-
Level 3 - Failure to comply	3
Level 4 - Failure to comply	2
Orders issued	2
Major	
Level 2 - Initial Major	78
Subsequent Major during grace period	-
Level 3 - Failure to comply	0
Subsequent Major	2
Subsequent Major during grace period	-
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	1
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Major and Serious	**98%**

- No historical data available.

Table 14. Oil Facilities Appeal Statistics

	2003
Enforcement actions	1258
Appeals received	3
Appeal rate	**0.2%**
Appeals granted	0
Appeal denial rate	**100%**

Table 15. Gas Facilities

	2003
Number of inspections	**1766**
Minor	
Level 1 - Initial Minor	557
Level 2 - Failure to comply	-
Level 3 - Failure to comply	1
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	28
Subsequent Major during grace period	-
Level 3 - Failure to comply	1
Subsequent Major	0
Subsequent Major during grace period	-
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	0
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Major and Serious	**98%**

- No historical data available.

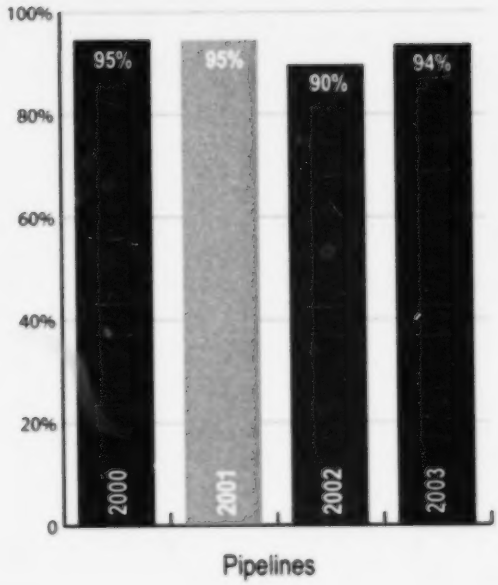
Table 16. Gas Facilities Appeal Statistics

	2003
Enforcement actions	585
Appeals received	2
Appeal rate	**0.3%**
Appeals granted	0
Appeal denial rate	**100%**

- Due to industry's improved understanding of EUB requirements, self-audits, operator awareness sessions, and presentations by the EUB, there were only 81 Major/Serious unsatisfactory oil facilities inspections, down from 113 in 2002, and 28 Major/Serious unsatisfactory gas inspections for 2003, down from 51 in 2002.

- In 2003 the most common oil and gas facility noncompliance events were H_2S emissions off lease, inadequate secondary containment/absence of dike tank, and unattended spills.

Figure 3 Proactive compliance rate for pipelines: Major and Serious categories



Summary of Compliance Data for 1998-2002

Table 17. Pipelines

	1998*	1999*	2000	2001	2002
Number of inspections	-	-	1 013	1 340	1 098
Major/Serious unsatisfactory inspections	-	-	54	66	106
Proactive compliance rate for Major and Serious	-	-	**95%**	**95%**	**90%**

*Pre-ladder implementation.
- No historical data available.

Table 18. Pipelines Appeal Statistics

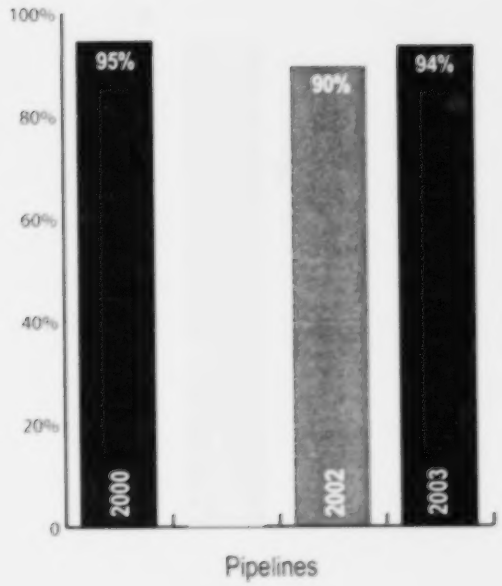
	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	106
Appeals received	-	-	-	-	8
Appeal rate	-	-	-	-	**8%**
Appeals granted	-	-	-	-	3
Appeal denial rate	-	-	-	-	**63%**

- No historical data available.

- The proactive compliance rate for pipeline inspections decreased 5% in 2002. The recorded number of Major/Serious unsatisfactory pipeline inspections increased, due in part to the implementation of *Guide 66: Pipeline Inspection Manual*, which enhanced EUB expectations for identifying and addressing corrosion problems.

- The EUB emphasizes reducing pipeline corrosion. Sensitive leak detection systems, training and awareness programs, automated shut-in equipment, and pipeline patrols are being used by industry to reduce the effects of pipeline failures. Although there was an increase in the number of corrosion-related failures in 2002, the number of failure incidents compared to total pipeline length in Alberta was reduced when compared to previous years.

Figure 3. Proactive compliance rate for pipelines: Major and Serious categories



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	1998*	1999*	2000	2001	2002
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Major/Serious unsatisfactory inspections	-	-	54	66	106
Proactive compliance rate for Major and Serious	-	-	**95%**	**95%**	**90%**

*Pre-ladder implementation.
- No historical data available.

Table 18. Pipelines Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	106
Appeals received	-	-	-	-	8
Appeal rate	-	-	-	-	**8%**
Appeals granted	-	-	-	-	3
Appeal denial rate	-	-	-	-	**63%**

- No historical data available.

- The proactive compliance rate for pipeline inspections decreased 5% in 2002. The recorded number of Major/Serious unsatisfactory pipeline inspections increased, due in part to the implementation of *Guide 66: Pipeline Inspection Manual*, which enhanced EUB expectations for identifying and addressing corrosion problems.

- The EUB emphasizes reducing pipeline corrosion. Sensitive leak detection systems, training and awareness programs, automated shut-in equipment, and pipeline patrols are being used by industry to reduce the effects of pipeline failures. Although there was an increase in the number of corrosion-related failures in 2002, the number of failure incidents compared to total pipeline length in Alberta was reduced when compared to previous years.

- The most common pipeline noncompliance events were no corrosion monitoring, unsafe ground disturbance, and no cathodic protection.

Detailed Compliance Data for 2003

Table 19. Pipelines

	2003
Number of inspections	**1396**
Minor	
Level 1 - Initial Minor	178
Level 2 - Failure to comply	-
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	73
Subsequent Major during grace period	-
Level 3 - Failure to comply	1
Subsequent Major	1
Subsequent Major during grace period	-
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	3
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Major and Serious	**94%**

- No historical data available.

Table 20. Pipelines Appeal Statistics

	2003
Enforcement actions	255
Appeals received	10
Appeal rate	**4%**
Appeals granted	5
Appeal denial rate	**50%**

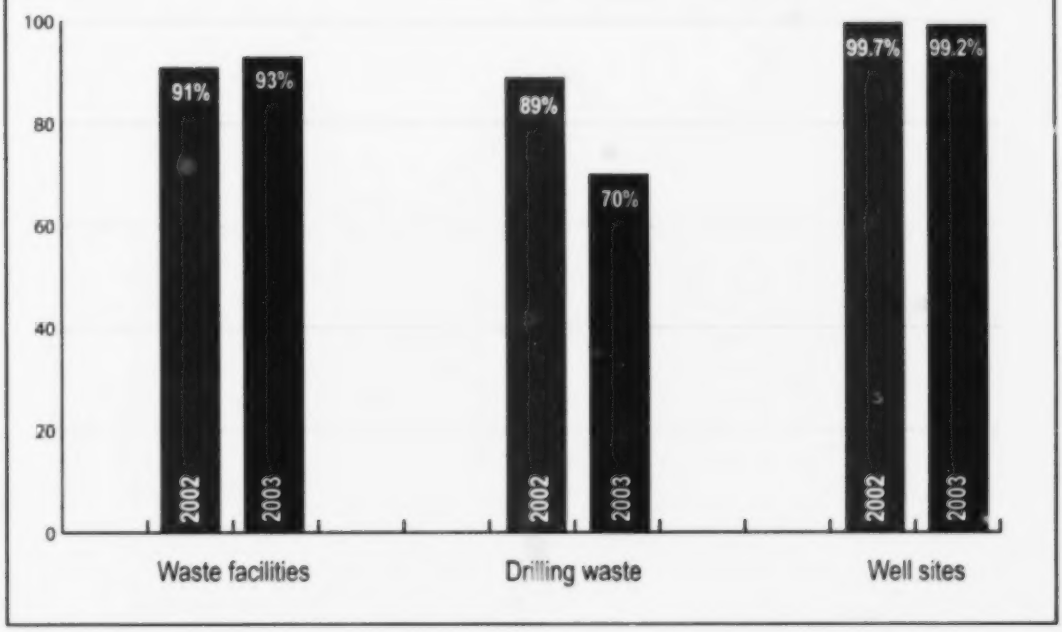
- Due to an increased understanding of *Guide 66* requirements; failure mechanisms being investigated, with appropriate mitigation measures being implemented by licensees; and awareness and information sessions being conducted by the EUB, there were 78 Major/Serious unsatisfactory pipeline inspections in 2003 down from 106 in 2002.

- The EUB is proposing revisions to the *Pipeline Regulation* to reduce pipeline contact damage. The *Pipeline Regulation* changes will come into effect in 2004.

- The most common pipeline noncompliance event was pipeline hits.

Field Surveillance also conducted inspections on waste facilities, drilling waste, and well sites (leases). The inspection results are as follows:

Figure 4. Proactive compliance rate for waste facilities, drilling waste, and well sites (leases): Major and Serious categories



Summary of Compliance Data for 1998-2002

Table 21. Waste Facilities

	1998	1999	2000	2001	2002
Number of inspections	-	-	-	-	65
Major/Serious unsatisfactory inspections	-	-	-	-	6
Proactive compliance rate for Major and Serious	-	-	-	-	**91%**

- No historical data available.

Table 22. Waste Facilities Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	6
Appeals received	-	-	-	-	1
Appeal rate	-	-	-	-	**17%**
Appeals granted	-	-	-	-	0
Appeal denial rate	-	-	-	-	**100%**

- No historical data available.

- In 2002 the most common waste facilities Major noncompliance events were H_2S emissions off lease and unaddressed spills.

Field Surveillance also conducted inspections on waste facilities, drilling waste, and well sites (leases). The inspection results are as follows:

Figure 4. Proactive compliance rate for waste facilities, drilling waste, and well sites (leases): Major and Serious categories

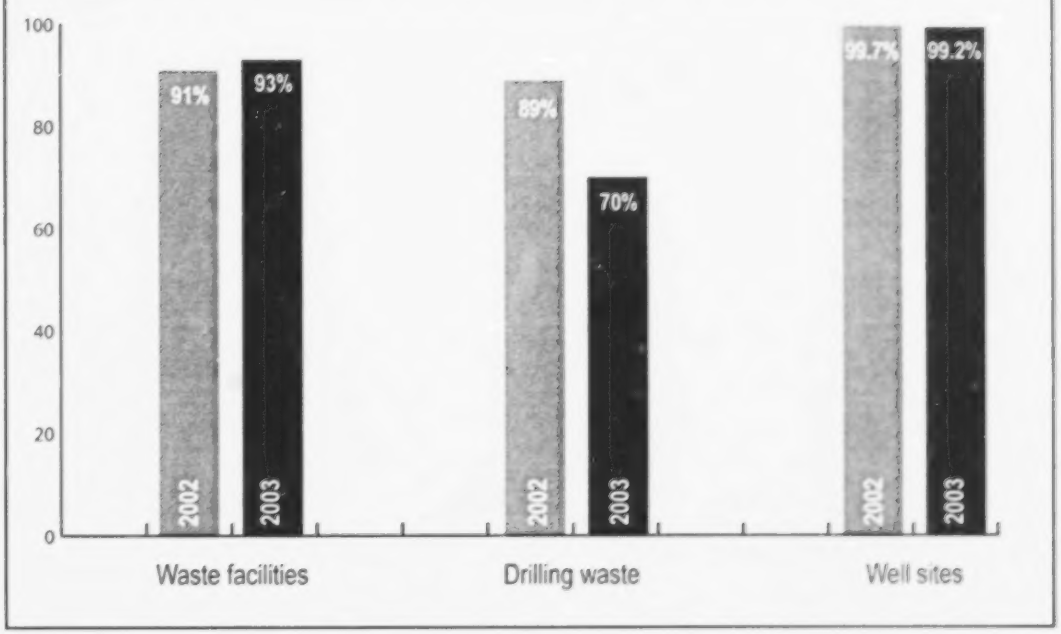


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Table 21. Waste Facilities

	1998	1999	2000	2001	2002
Number of inspections	-	-	-	-	65
Major/Serious unsatisfactory inspections	-	-	-	-	6
Proactive compliance rate for Major and Serious	-	-	-	-	**91%**

- No historical data available.

Table 22. Waste Facilities Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	6
Appeals received	-	-	-	-	1
Appeal rate	-	-	-	-	**17%**
Appeals granted	-	-	-	-	0
Appeal denial rate	-	-	-	-	**100%**

- No historical data available.

- In 2002 the most common waste facilities Major noncompliance events were H_2S emissions off lease and unaddressed spills.

Detailed Compliance Data for 2003

Table 23. Waste Facilities

		2003
Number of inspections		**72**
Minor		
Level 1 -	Initial Minor	31
Level 2 -	Failure to comply	-
Level 3 -	Failure to comply	0
Level 4 -	Failure to comply	0
	Orders issued	0
Major		
Level 2 -	Initial Major	4
	Subsequent Major during grace period	-
Level 3 -	Failure to comply	1
	Subsequent Major	0
	Subsequent Major during grace period	-
Level 4 -	Failure to comply with Level 3	0
	Subsequent Major	0
	Orders issued	0
Serious		
Level 3 -	Initial Serious	1
Level 4 -	Failure to comply with Level 3	0
	Subsequent Serious	0
	Orders issued	0
Proactive compliance rate for Major and Serious		**93%**

- No historical data available.

Table 24. Waste Facilities Appeal Statistics

	2003
Enforcement actions	36
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- In 2003, the most common waste facilities Major noncompliance events were H_2S emissions off lease, failure to meet storage requirements *in Guide 55: Storage Requirements for the Upstream Petroleum Industry*, and staining/spillage.
- Field Surveillance will continue to meet with the Alberta Oilfield Treating and Disposal Association to increase its members' understanding of the requirements and will focus on improving the compliance record of waste management facilities.
- There were no appeals of enforcement.

Summary of Compliance Data for 1998-2002

Table 25. Drilling Waste

	1998	1999	2000	2001	2002
Number of inspections	-	-	-	-	177
Major/Serious unsatisfactory inspections	-	-	-	-	19
Proactive compliance rate	-	-	-	-	**89%**

- No historical data available.

Table 26. Drilling Waste Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	19
Appeals received	-	-	-	-	0
Appeal rate	-	-	-	-	**0%**
Appeals granted	-	-	-	-	N/A
Appeal denial rate	-	-	-	-	**N/A**

- No historical data available.

Detailed Compliance Data for 2003

Table 27. Drilling Waste

	2003
Number of inspections	**64**
Minor	
Level 1 - Initial Minor	7
Level 2 - Failure to comply	-
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	19
Subsequent Major during grace period	-
Level 3 - Failure to comply	0
Subsequent Major	0
Subsequent Major during grace period	-
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	0
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Major and Serious	**70%**

- No historical data available.

Table 28. Drilling Waste Appeal Statistics

	2003
Enforcement actions	26
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- The most common drilling waste Major noncompliance event was not meeting the depth requirements for the mix/bury/cover disposal method.
- Field Surveillance conducts inspections at drilling operations to ensure compliance with requirements of *Guide 50: Drilling Waste Management, Guide 55: Storage Requirements for the Upstream Petroleum Industry*, and *Guide 58: Oilfield Waste Management Requirements for the Upstream Petroleum Industry (November 1996). The information from theses inspections assists the Operations Group Waste Section select candidate licensees/approval holders for more detailed audits.*
- *Guide 50: Drilling Waste Management* is currently under review; the new edition is scheduled for completion in 2004.
- There were no appeals of enforcement.

Summary of Compliance Data for 1998-2002

Table 29. Well Site

	1998	1999	2000	2001	2002
Number of inspections	-	-	-	-	5054
Major/Serious unsatisfactory inspections	-	-	-	-	17
Proactive compliance rate	-	-	-	-	**99.7%**

- No historical data available.

Table 30. Well Site Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	17
Appeals received	-	-	-	-	0
Appeal rate	-	-	-	-	**0%**
Appeals granted		-	-	-	N/A
Appeal denial rate	-	-	-	-	**N/A**

- No historical data available.

- In 2002 the most common well site noncompliance event was unaddressed spills.
- There were no appeals of enforcement.

Detailed Compliance Data for 2003

Table 31. Well Site

		2003
Number of inspections		**4072**
Minor		
Level 1 -	Initial Minor	1006
Level 2 -	Failure to comply	-
Level 3 -	Failure to comply	2
Level 4 -	Failure to comply	3
	Orders issued	3
Major		
Level 2 -	Initial Major	31
	Subsequent Major during grace period	-
Level 3 -	Failure to comply	0
	Subsequent Major	0
	Subsequent Major during grace period	-
Level 4 -	Failure to comply with Level 3	0
	Subsequent Major	0
	Orders issued	0
Serious		
Level 3 -	Initial Serious	0
Level 4 -	Failure to comply with Level 3	0
	Subsequent Serious	0
	Orders issued	0
Proactive compliance rate for Major and Serious		**99.2%**

- No historical data available.

Table 32. Well Site Appeal Statistics

	2003
Enforcement actions	1037
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- In 2003 the most common Major noncompliance event for well site inspections was off-lease odours.
- There were no appeals of enforcement.

2.1.2 Resources Applications Group

2.1.2.1 Enforcement Section

The Resources Applications Group is responsible to ensure resource optimization, orderly and efficient development, preservation of equity and conservation, and safe/environmentally sound operating practices.

The enforcement policy upon which retirement of oil overproduction is based is in *Interim Directive (ID) 99-2: Revised Policy on Administration of Oil MRL's and Overproduction as amended by ID 99-2 Amendment: Revisions to Enforcement Ladder for Retirement of Overproduction.*

Figure 5: Proactive compliance rate in oil overproduction

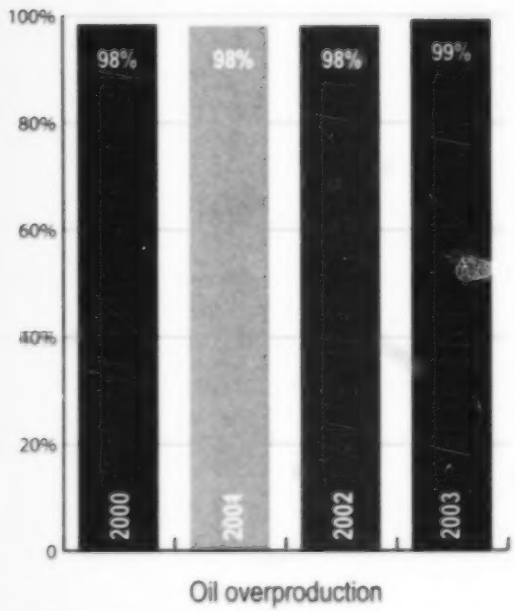

Table 32. Well Site Appeal Statistics

	2003
Enforcement actions	1037
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- In 2003 the most common Major noncompliance event for well site inspections was off-lease odours.

- There were no appeals of enforcement.

2.1.2 Resources Applications Group

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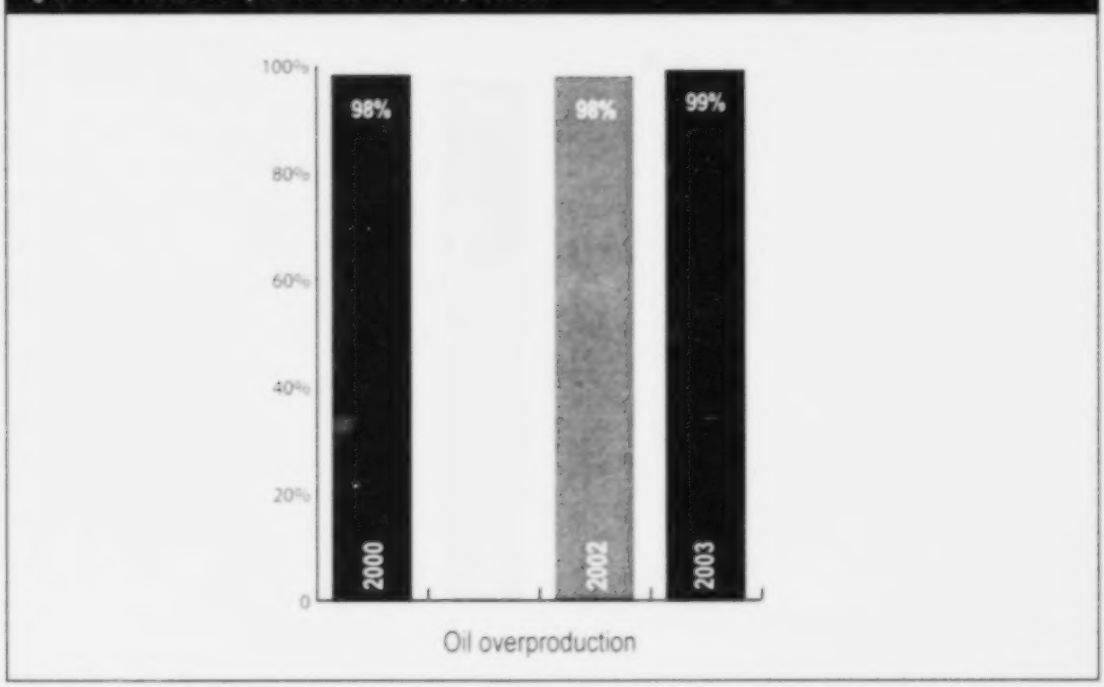
The Resources Applications Group is responsible to ensure resource optimization, orderly and efficient development, preservation of equity and conservation, and safe/environmentally sound operating practices.

The enforcement policy upon which retirement of oil overproduction is based is in *Interim Directive (ID) 99-2: Revised Policy on Administration of Oil MRL's and Overproduction as amended by ID 99-2 Amendment: Revisions to Enforcement Ladder for Retirement of Overproduction.*

Figure 5. Proactive compliance rate in oil overproduction



Summary of Compliance Data for 1998-2002

Table 33. Oil Overproduction

	1998	1999	2000	2001	2002	2003
Audits of production entities capable of exceeding MRL	-	-	4 476	3 948	3 672	3 372
Level 2	-	-	101	61	68	45
Level 3	-	-	17	20	21	13
Level 4	-	-	0	0	0	1
Orders Issued	-	-	0	0	0	1
Proactive compliance rate	-	-	**98%**	**98%**	**98%**	**99%**

- No historical data available.

Table 34. Oil Overproduction Appeal Statistics

	1998	1999	2000	2001	2002	2003
Enforcement actions	-	-	-	-	89	59
Appeals received	-	-	-	-	6	5
Appeal rate	-	-	-	-	**7%**	**8%**
Appeals granted	-	-	-	-	1	4
Appeal denial rate	-	-	-	-	**83%**	**20%**

- No historical data available.

Table 35. Oil Overproduction Request for Waiver

	1998	1999	2000	2001	2002	2003
Enforcement actions	-	-	-	-	89	59
Request received	-	-	-	-	13	8
Request rate	-	-	-	-	**15%**	**14%**
Request granted	-	-	-	-	3	1
Request denial rate	-	-	-	-	**77%**	**88%**

- No historical data available.

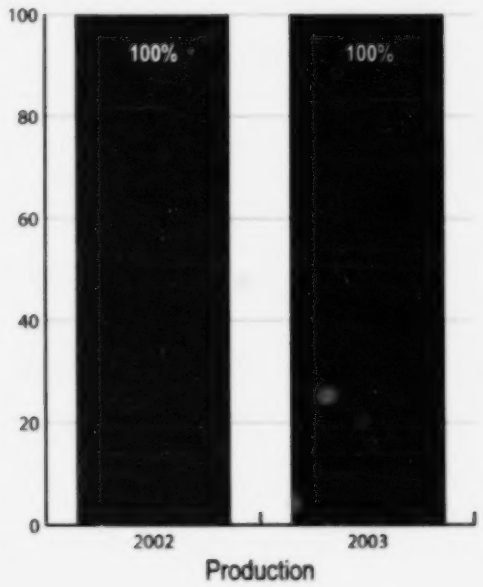
- In this report the basis for calculating the proactive compliance rate has been revised.
- Common causes of escalation from Level 2 to Level 3 are failure to retire overproduction and an operator receiving two Level 2 notices within a year.

2.1.3 Operations Group

2.1.3.1 Production Audit Section

The Production Audit Section is responsible for verifying industry's compliance with EUB production measurement and reporting requirements. Facilities are selected based on a risk-based audit protocol. Production audits are conducted according to the guidelines in *Guide 46: Production Audit Handbook*.

Figure 6 Proactive compliance rate for production Major and Serious categories



Summary of Compliance Data for 1998-2002

Table 36. Production

	1998	1999	2000	2001	2002
Number of audits	-	-	-	-	111
Minor unsatisfactory audits	-	-	-	-	97
Major/Serious unsatisfactory audits	-	-	-	-	0
Proactive compliance rate for Major and Serious	-	-	-	-	**100%**

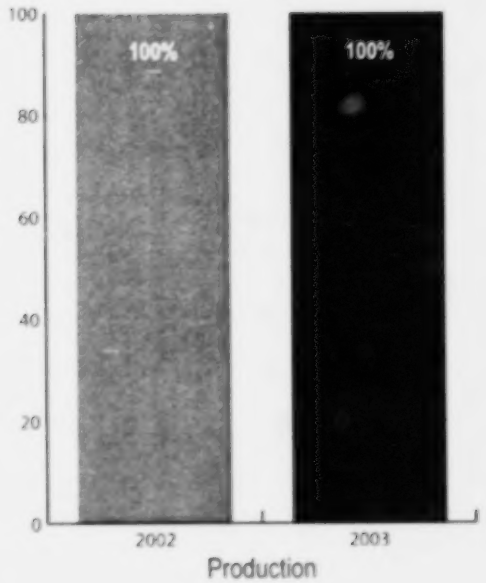
- No historical data available.

Table 37. Production Appeals Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	97
Appeals received	-	-	-	-	0
Appeal rate	-	-	-	-	**0%**
Appeals granted	-	-	-	-	N/A
Appeal denial rate	-	-	-	-	**N/A**

- No historical data available.

Figure 6 Proactive compliance rate for production: Major and Serious categories



Summary of Compliance Data for 1998-2002

Table 36. Production

	1998	1999	2000	2001	2002
Number of audits	-	-	-	-	111
Minor unsatisfactory audits	-	-	-	-	97
Major/Serious unsatisfactory audits	-	-	-	-	0
Proactive compliance rate for Major and Serious	-	-	-	-	**100%**

- No historical data available.

Table 37. Production Appeals Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	97
Appeals received	-	-	-	-	0
Appeal rate	-	-	-	-	**0%**
Appeals granted	-	-	-	-	N/A
Appeal denial rate	-	-	-	-	**N/A**

- No historical data available.

Detailed Compliance Data for 2003

Table 38. Production

		2003
Number of audits		**105**
Minor		
Level 1 -	Initial Minor	105
Level 2 -	Failure to comply	0
Level 3 -	Failure to comply	0
Level 4 -	Failure to comply	0
	Orders issued	0
Major		
Level 2 -	Initial Major	0
	Subsequent Major during grace period	0
Level 3 -	Failure to comply	0
	Subsequent Major	0
	Subsequent Major during grace period	0
Level 4 -	Failure to comply with Level 3	0
	Subsequent Major	0
	Orders issued	0
Serious		
Level 3 -	Initial Serious	0
Level 4 -	Failure to comply with Level 3	0
	Subsequent Serious	0
	Orders issued	0
Proactive compliance rate for Major and Serious		**100%**

- No historical data available.

Table 39. Production Appeal Statistics

	2003
Enforcement actions	105
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

Proactive compliance rates for items in the Major and Serious categories remain high, indicating focused attention by licensees in this important area, as it relates to matters material to measurement for the purposes of determining provincial royalties.

Although the number of Minor unsatisfactory items is high, the Board is satisfied that the accuracy of production reporting has not been compromised.

The Production Audit section is taking steps to reduce the high number of Minor noncompliance events.

The most common production noncompliance events for 2002 and 2003 were all Minor events, such as errors in volumetric accounting and reporting, meters not calibrated, and errors in trucked-in production.

There were no appeals of enforcement.

Required submissions respecting summary economic data for solution gas flaring and venting conservation evaluations are set out in *ID 2002-02: EUB Requirements for Submission of Data for Solution Gas Flaring and Venting Evaluations*.

Detailed Compliance Data for 2003

Table 40. Guide 60 Economic Evaluation

	2003
Number of audits	**820**
Minor	
Level 1 - Initial Minor	1
Level 2 - Failure to comply	1
Level 3 - Failure to comply	1
Level 4 - Failure to comply	1
Orders issued	
Proactive compliance rate	**99.9%**

Table 41. Guide 60 Economic Evaluation Appeal Statistics

	2003
Enforcement actions	1
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- There were no appeals of enforcement.

Sulphur recovery requirements are detailed in *Interim Directive (ID) 2001-3: Sulphur Recovery Guidelines for the Province of Alberta.*

Table 42. Sulphur Recovery Guidelines

	2003
Number of reviews	**318**
Major	
Level 2	2
Level 3	0
Level 4	0
Orders issued	0
Proactive compliance rate	**99.4%**

Table 43. Sulphur Recovery Guidelines Appeal Statistics

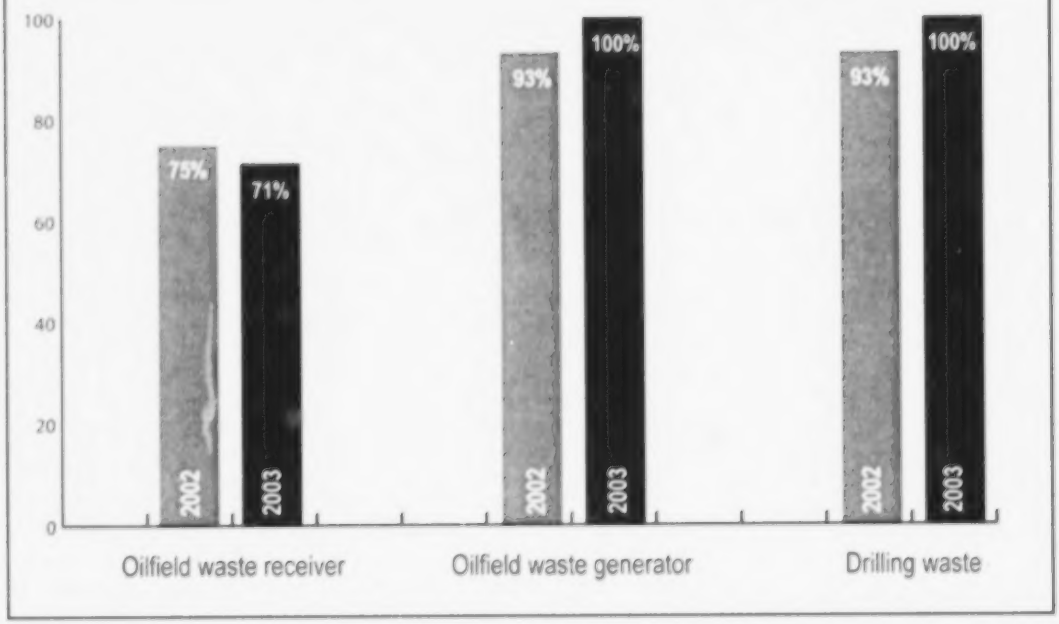
	2003
Enforcement actions	2
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- There were no appeals of enforcement.

2.1.4 Environment Group

2.1.4.1 Waste and Storage Section

Figure 7. Proactive compliance rate for oilfield waste management facilities: Major and Serious categories



Oilfield waste receiver audits are conducted to verify that oilfield waste management facilities are designed, constructed, and operated in compliance with their approvals and with *Guide 58: Oilfield Waste Management Requirements for the Upstream Oil and Gas Industry*.

Summary of Compliance Data for 1998-2002

Table 44. Oilfield Waste Receiver

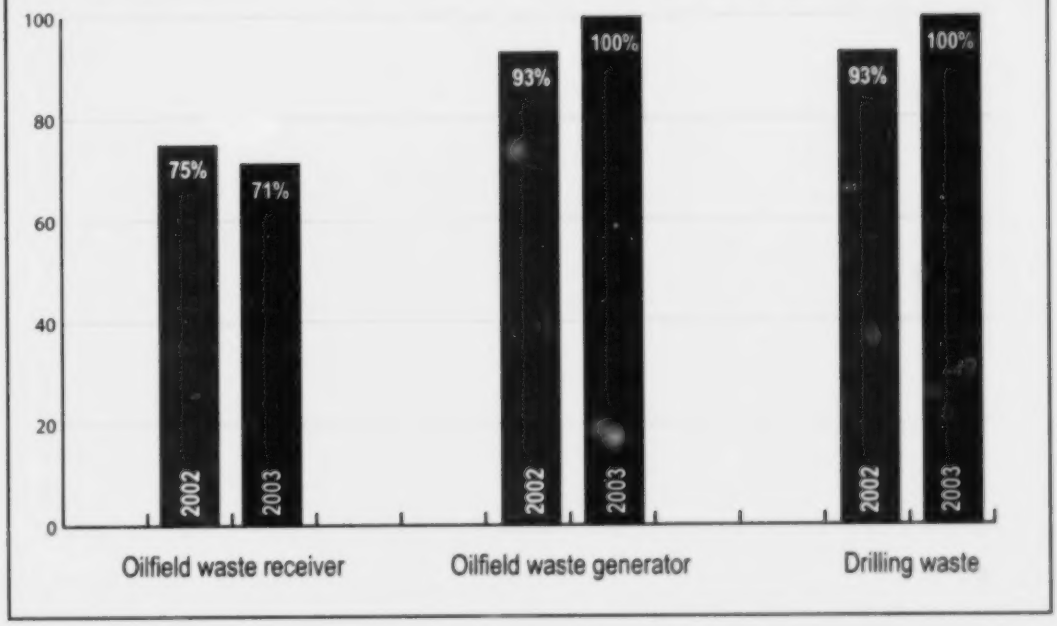
	1998	1999	2000	2001	2002
Number of audits	-	-	-	-	12
Minor unsatisfactory audits	-	-	-	-	9
Major/Serious unsatisfactory audits	-	-	-	-	3
Proactive compliance rate for Major and Serious	-	-	-	-	**75%**

- No historical data available.

2.1.4 Environment Group

2.1.4.1 Waste and Storage Section

Figure 7. Proactive compliance rate for oilfield waste management facilities: Major and Serious categories



Oilfield waste receiver audits are conducted to verify that oilfield waste management facilities are designed, constructed, and operated in compliance with their approvals and with *Guide 58: Oilfield Waste Management Requirements for the Upstream Oil and Gas Industry*.

Summary of Compliance Data for 1998-2002

Table 44. Oilfield Waste Receiver

	1998	1999	2000	2001	2002
Number of audits	-	-	-	-	12
Minor unsatisfactory audits	-	-	-	-	9
Major/Serious unsatisfactory audits	-	-	-	-	3
Proactive compliance rate for Major and Serious	-	-	-	-	**75%**

- No historical data available.

Table 45. Oilfield Waste Receiver Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	11
Appeals received	-	-	-	-	1
Appeal rate	-	-	-	-	9%
Appeals granted	-	-	-	-	1
Appeal denial rate	-	-	-	-	0%

- No historical data available.

- In 2002 the most common oilfield waste receiver noncompliance events were oil staining on lease, record keeping, and not meeting the financial security requirements. Follow-up resulted in compliance in all instances.

- There were no appeals of enforcement.

Detailed Compliance Data for 2003

Table 46. Oilfield Waste Receiver

		2003
Number of audits		7
Minor		
Level 1 -	Initial Minor	5
Level 2 -	Failure to comply	2
Level 3 -	Failure to comply	0
Level 4 -	Failure to comply	0
	Orders issued	0
Major		
Level 2 -	Initial Major	2
	Subsequent Major during grace period	0
Level 3 -	Failure to comply	0
	Subsequent Major	0
	Subsequent Major during grace period	0
Level 4 -	Failure to comply with Level 3	0
	Subsequent Major	0
	Orders issued	0
Serious		
Level 3 -	Initial Serious	0
Level 4 -	Failure to comply with Level 3	0
	Subsequent Serious	0
	Orders issued	0
Proactive compliance rate for Major and Serious		71%

Table 47. Oilfield Waste Receiver Appeal Statistics

	2003
Enforcement actions	7
Appeals received	0
Appeal rate	0%
Appeals granted	N/A
Appeal denial rate	N/A

Although the number of Minor unsatisfactory items is high the Board is satisfied that public safety and environment protection was not compromised.

Oilfield waste generator audits are conducted to verify that licensees or approval holders of upstream oil and gas sites manage their oilfield wastes in compliance with the requirements of *Guide 58*.

Summary of Compliance Data for 1998-2002

Table 48. Oilfield Waste Generator

	1998	1999	2000	2001	2002
Number of audits	-	-	-	-	43
Minor unsatisfactory audits	-	-	-	-	24
Major/Serious unsatisfactory audits	-	-	-	-	3
Proactive compliance rate for Major and Serious	-	-	-	-	**93%**

- No historical data available.

Table 49. Oilfield Waste Generator Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	27
Appeals received	-	-	-	-	2
Appeal rate	-	-	-	-	**7%**
Appeals granted	-	-	-	-	2
Appeal denial rate	-	-	-	-	**0%**

- No historical data available.

- In 2002 the most common oilfield waste generator noncompliance events were inaccurate reporting of waste volumes and incomplete characterization of waste.

Detailed Compliance Data for 2003

Table 50. Oilfield Waste Generator

	2003
Number of audits	**35**
Minor	
Level 1 - Initial Minor	8
Level 2 - Failure to comply	0
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	0
Subsequent Major during grace period	0
Level 3 - Failure to comply	0
Subsequent Major	0
Subsequent Major during grace period	0
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	0
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Major and Serious	**100%**

Table 51. Oilfield Waste Generator Appeal Statistics

	2003
Enforcement actions	8
Appeals received	1
Appeal rate	**13%**
Appeals granted	1
Appeal denial rate	**0%**

- In 2003 the most common oilfield generator noncompliance events were sending oilfield waste to facilities unauthorized to accept the waste and incomplete characterization of waste.

- There were no appeals of enforcement.

Drilling waste audits evaluate compliance with the requirements in *Guide 50: Drilling Waste Management*.

Summary of Compliance Data for 1998-2002

Table 52. Drilling Waste

	1998	1999	2000	2001	2002
Number of audits	-	-	-	-	120
Minor unsatisfactory audits	-	-	-	-	70
Major/Serious unsatisfactory audits	-	-	-	-	8
Proactive compliance rate for Major and Serious	-	-	-	-	**93%**

- No historical data available.

Table 53. Drilling Waste Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	78
Appeals received	-	-	-	-	1
Appeal rate	-	-	-	-	**1%**
Appeals granted	-	-	-	-	1
Appeal denial rate	-	-	-	-	**0%**

- No historical data available.

- In 2002 the most common drilling waste noncompliance events were incomplete/inaccurate documentation on EUB notification form, failure to complete analytical work, and locating sumps in permeable soil. Follow-up confirmed that public safety was not compromised.
- Waste section conducts audits of licensee drilling waste disposal processes to ensure compliance with requirements of *Guide 50: Drilling Waste Management* and *Guide 58: Oilfield Waste Management Requirements for the Upstream Petroleum Industry (November 1996).*

Detailed Compliance Data for 2003

Table 54. Drilling Waste

	2003
Number of audits	**19**
Minor	
Level 1 - Initial Minor	2
Level 2 - Failure to comply	1
Level 3 - Failure to comply	1
Level 4 - Failure to comply	1
Orders issued	1
Major	
Level 2 - Initial Major	0
Subsequent Major during grace period	0
Level 3 - Failure to comply	0
Subsequent Major	0
Subsequent Major during grace period	0
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	0
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Major and Serious	**100%**

- No historical data available.

Table 55. Drilling Waste Appeal Statistics

	2003
Enforcement actions	2
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- There were no appeals of enforcement.

Storage requirement audits evaluate compliance with the requirements in *Guide 55: Storage Requirements for the Upstream Petroleum Industry*.

Detailed Compliance Data for 2003

Table 56. Storage Requirements

	2003
Number of audits	**384**
Minor	
Level 1 - Initial Minor	0
Level 2 - Failure to comply	0
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	0
Subsequent Major during grace period	0
Level 3 - Failure to comply	0
Subsequent Major	0
Subsequent Major during grace period	0
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	0
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Minor, Major, and Serious	**100%**

Table 57. Storage Requirements Appeal Statistics

	2003
Enforcement actions	0
Appeals received	0
Appeal rate	**0%**
Appeals granted	N/A
Appeal denial rate	**N/A**

- There were no enforcement actions.

2.1.5 Utilities Branch

2.1.5.1 Facilities Group

The Facilities Group of the Utilities Branch is responsible to ensure that electricity-generating facilities are built, operated, and decommissioned in an efficient and environmentally responsible manner. Audits are judgementally selected based on a suspected noncompliant event.

Summary of Compliance Data for 1998-2002

Table 58. Utilities

	1998	1999	2000	2001	2002
Number of audits	-	-	-	-	3
Serious					
Level 3 enforcement	-	-	-	-	3
Proactive compliance rate for Serious	-	-	-	-	**0%**

- No historical data available.

Table 59. Utilities Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	3
Appeals received	-	-	-	-	0
Appeal rate	-	-	-	-	**0%**
Appeals granted	-	-	-	-	N/A
Appeal denial rate	-	-	-	-	**N/A**

- No historical data available.

- Three electricity-generating facilities were built without an approval, resulting in suspension of the facilities until a review and approval was granted by the EUB.
- There were no appeals of enforcement.

2.1.6 Facilities Applications Group

2.1.6.1 Application Audit Section

The Application Audit Section is responsible for auditing facility, well, and pipeline licence applications.

Figure 8: Proactive compliance rate for facilities applications: Minor, Major, and Serious categories

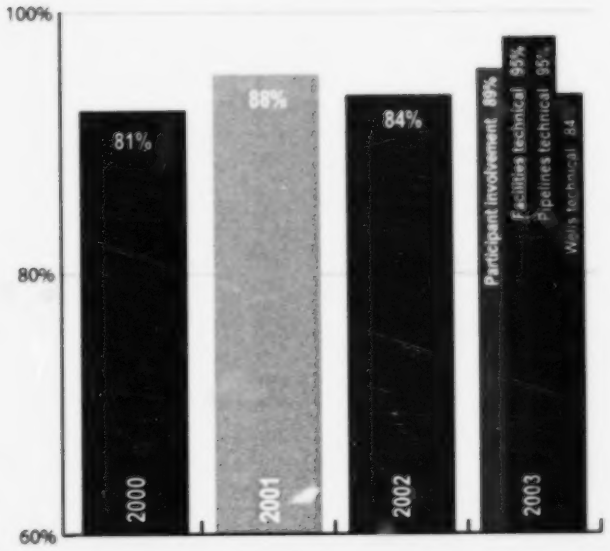


Table 60. Facilities Applications

	1998	1999	2000	2001	2002
Number of audits	-	-	1 010	890	659
Level 2 enforcement	-	-	177	93	95
Level 3 enforcement	-	-	13	17	12
Proactive compliance rate for Major and Serious	-	-	**81%**	**88%**	**84%**

- No historical data available.

Table 61. Facilities Applications Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	190	110	107
Appeals received	-	-	8	17	17
Appeal rate	-	-	**4%**	**15%**	**16%**
Appeals granted	-	-	5	7	7
Appeal denial rate	-	-	**38%**	**59%**	**59%**

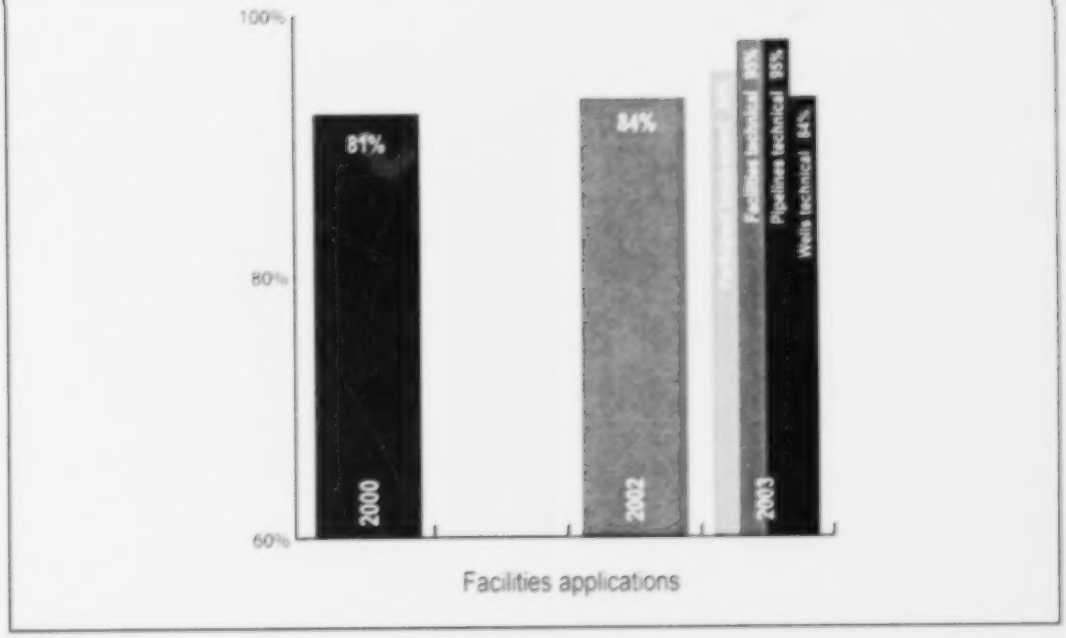
- No historical data available.

- In 2002 the most common facility application noncompliance events were companies failing to meet public disclosure and consultation requirements on Schedule 1 of *Guide 56: Energy Development Applications and Schedules*, failing to obtain mineral rights, failing to meet setback requirements, and proceeding without the Crown's authorization for wellbore re-entries on Schedule 4 of *Guide 56*.

- Other enforcement actions were due to filing an application as routine when there was an outstanding objection and/or concern, drilling a well without a valid licence, constructing a well site without a surface lease, and failure to comply with an EUB direction.

Summary of Compliance Data for 1998-2002

Figure 8. Proactive compliance rate for facilities applications: Minor, Major, and Serious categories



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Level 2 enforcement	-	-	177	93	95
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Appeal rate	-	-	**4%**	**15%**	**16%**
Appeals granted	-	-	5	7	7
Appeal denial rate	-	-	**38%**	**59%**	**59%**

- No historical data available.

- In 2002 the most common facility application noncompliance events were companies failing to meet public disclosure and consultation requirements on Schedule 1 of *Guide 56: Energy Development Applications and Schedules*, failing to obtain mineral rights, failing to meet setback requirements, and proceeding without the Crown's authorization for wellbore re-entries on Schedule 4 of *Guide 56*.

- Other enforcement actions were due to filing an application as routine when there was an outstanding objection and/or concern, drilling a well without a valid licence, constructing a well site without a surface lease, and failure to comply with an EUB direction.

Detailed Compliance Data for 2003

Table 62. Participant Involvement

	2003
Initial audits	**722**
Minor	
Level 1 - Initial Minor	3
Level 2 - Failure to comply	0
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	70
Subsequent Major during grace period	0
Level 3 - Failure to comply	0
Subsequent Major	0
Subsequent Major during grace period	0
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	4
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Minor, Major, and Serious	**89%**

Table 63. Participant Involvement Appeal Statistics

	2003
Enforcement actions	77
Appeals received	7
Appeal rate	**9%**
Appeals granted	2
Appeal denial rate	**71%**

Table 64. Facilities Technical

	2003
Initial audits	**149**
Minor	
Level 1 - Initial Minor	0
Level 2 - Failure to comply	0
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	4
Subsequent Major during grace period	0
Level 3 - Failure to comply	0
Subsequent Major	0
Subsequent Major during grace period	0
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	4
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Minor, Major, and Serious	**95%**

Table 65. Facilities Technical Appeal Statistics

	2003
Enforcement actions	8
Appeals received	3
Appeal rate	**38%**
Appeals granted	3
Appeal denial rate	**0%**

Table 66. Pipelines Technical

	2003
Initial audits	**124**
Minor	
Level 1 - Initial Minor	0
Level 2 - Failure to comply	0
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	6
Subsequent Major during grace period	0
Level 3 - Failure to comply	0
Subsequent Major	0
Subsequent Major during grace period	0
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	0
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Minor, Major, and Serious	**95%**

Table 67. Pipelines Technical Appeal Statistics

	2003
Enforcement actions	6
Appeals received	1
Appeal rate	**17%**
Appeals granted	0
Appeal denial rate	**100%**

Table 68. Wells Technical

	2003
Initial audits	**497**
Minor	
Level 1 - Initial Minor	5
Level 2 - Failure to comply	0
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Major	
Level 2 - Initial Major	68
Subsequent Major during grace period	0
Level 3 - Failure to comply	0
Subsequent Major	2
Subsequent Major during grace period	0
Level 4 - Failure to comply with Level 3	0
Subsequent Major	0
Orders issued	0
Serious	
Level 3 - Initial Serious	3
Level 4 - Failure to comply with Level 3	0
Subsequent Serious	0
Orders issued	0
Proactive compliance rate for Minor, Major, and Serious	**84%**

Table 69. Wells Technical Appeal Statistics

	2003
Enforcement actions	78
Appeals received	10
Appeal rate	**13%**
Appeals granted	4
Appeal denial rate	**60%**

- In 2003 the most common Wells Technical noncompliance events were companies failing to obtain mineral rights, failing to meet setback requirements, and proceeding without the Crown's authorization for wellbore re-entries.
- In June 2003, *Guide 56* was restructured to include four audit categories: participant involvement, facilities technical, pipelines technical, and wells technical.
- The majority of enforcement actions were initiated against companies failing to meet *Guide 56* participant involvement and well technical requirements prior to submitting an energy development application.
- Other enforcement actions initiated were due to filing an application as routine when there was an outstanding objection and/or concern, drilling a well without a valid licence, and constructing a well site without a surface lease. In all cases, operations were suspended until issues were resolved.

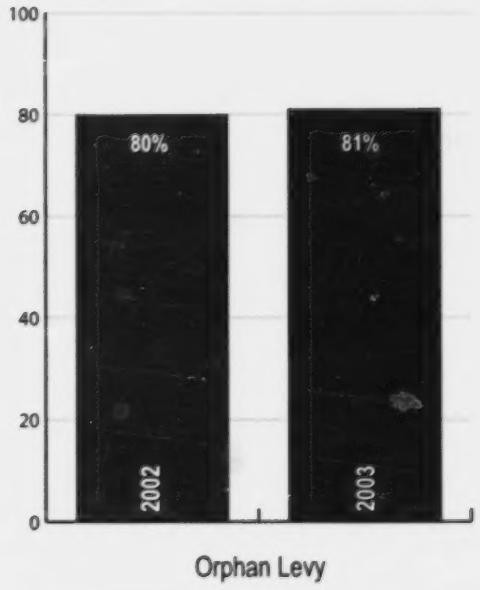
2.1.7 Corporate Compliance Group

2.1.7.1 Liability Management Section

The Liability Management Section is responsible to administer the Orphan Levy once per year and the Licensee Liability Rating (LLR) program monthly.

The Orphan Levy, announced in *General Bulletin (GB) 2003-25: 2003 Orphan Levy*, is based on the revenue requirements identified in the Alberta Orphan Oil and Gas Abandonment and Reclamation Association budget. The EUB allocates Orphan Levy costs subject to the licensee's Liability Rating Assessment for a particular month.

Figure 9. Proactive compliance rate for the Orphan Levy: Minor category



Summary of Compliance Data for 1998-2002

Table 70. Orphan Levy

	1998	1999	2000	2001	2002
Total invoices	-	-	-	-	933
Minor Level 1 (Penalty Invoices)	-	-	-	-	190
Proactive compliance rate for Minor					**80%**

- No historical data available.

Table 71. Orphan Levy Appeal Statistics

	1998	1999	2000	2001	2002
Enforcement actions	-	-	-	-	190
Appeals received	-	-	-	-	15
Appeal rate	-	-	-	-	**8%**
Appeals granted	-	-	-	-	12
Appeal denial rate	-	-	-	-	**20%**

- No historical data available.

Detailed Compliance Data for 2003

Table 72. Orphan Levy

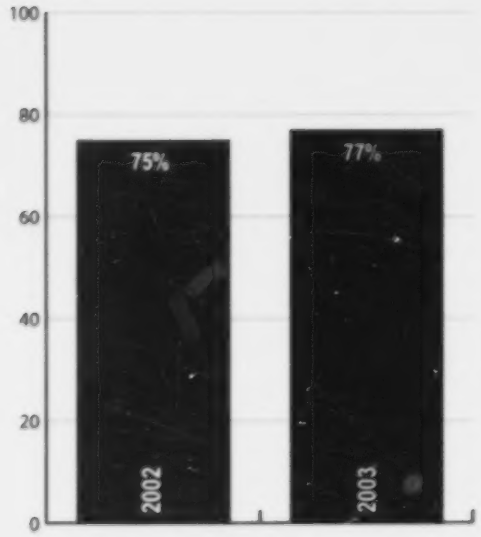
	2003
Initial invoices	**927**
Minor	
Level 1 - Initial Minor (Penalty)	172
Level 2 - Failure to comply	94
Level 3 - Failure to comply	70
Level 4 - Failure to comply	57
Orders issued	2
Proactive compliance rate for Minor	**81%**

Table 73. Orphan Levy Appeal Statistics

	2003
Enforcement actions	172
Appeals received	7
Appeal rate	**4%**
Appeals granted	1
Appeal denial rate	**86%**

The LLR program was introduced in May 2002. It evaluates all licensees according to their deemed assets versus deemed liabilities.

Figure 10 Proactive compliance rate for Licensee Liability Rating program: Major category



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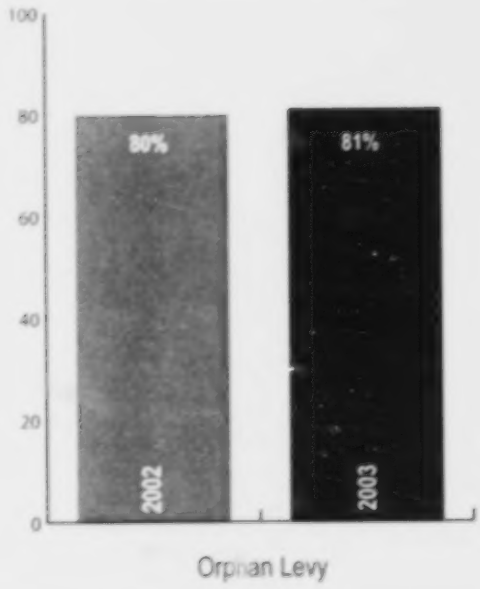

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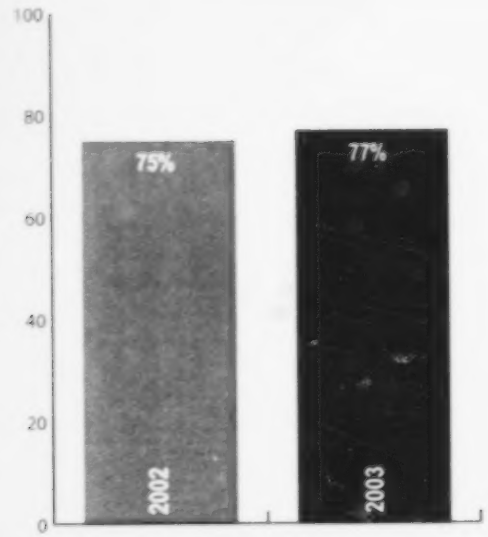

Summary of Compliance Data for 1998-2002

Table 74. LLR Assessments: May-December 2002

	1998	1999	2000	2001	2002
Total LLR assessment letters sent requiring payment (May-Dec)	-	-	-	-	920
Major					
Level 2 (nonpayment)	-	-	-	-	227
Level 3 enforcement	-	-	-	-	144
Level 4 enforcement	-	-	-	-	111
Proactive compliance rate for Major	-	-	-	-	**75%**

- No historical data available.

Table 75. LLR Parameter Review

	1998	1999	2000	2001	2002
Assessment letters	-	-	-	-	996
Reviews received	-	-	-	-	56
Review rate	-	-	-	-	**6%**
Reviews granted	-	-	-	-	30
Review denial rate	-	-	-	-	**46%**

- No historical data available.

- In May 2002 there were 1402 licensees on the EUB database that were subject to the LLR assessment.
- The high number of Level 2, 3, and 4 enforcement actions is attributed to defunct/orphan licensees identified at the implementation of the LLR program.
- A licensee that does not meet the LLR threshold of 1.0 may request (administration appeal) a variation of one or more of the LLR parameters by submitting the appropriate data for review.

Detailed Compliance Data for 2003

Table 76. LLR

	2003
Initial assessments	**11 640**
Assessment invoices	**324**
Major	
Level 2 - Initial Major	76
Level 3 - Failure to comply	40
Subsequent Major	0
Level 4 - Failure to comply with Level 3	53
Subsequent Major	0
Orders issued	45
Proactive compliance rate for Major	**77%**

Table 77. LLR Parameter Review

	2003
Assessment invoices	169
Reviews received	24
Review rate	**14%**
Reviews granted	18
Review denial rate	**25%**

- Of the 53 Level 4s reported in 2003, 27 are an escalation of a Level 3 initiated in 2002.
- The number of reviews received (administrative appeals) has decreased by over 50% from 2002 due to industry's improved understanding and clarification by the EUB of the LLR program.

2.2 Corporate Division

2.2.1 Information Collection and Dissemination Group

The Information Collection and Dissemination Group collects and disseminates energy resources information, including oil and gas production, well records, regulatory publications, maps, and various energy databases.

2.2.1.1 Well Test Data Section

Well Test Data Section is responsible for the collection and validation of initial and annual well test data.

The well test data compliance reports follow the enforcement policy stated in *Interim Directive (ID) 97-5: Pressure and Deliverability Testing Oil and Gas Wells in Alberta.*

Figure 11 Proactive compliance rate for annual gas and oil pressure surveys Minor category

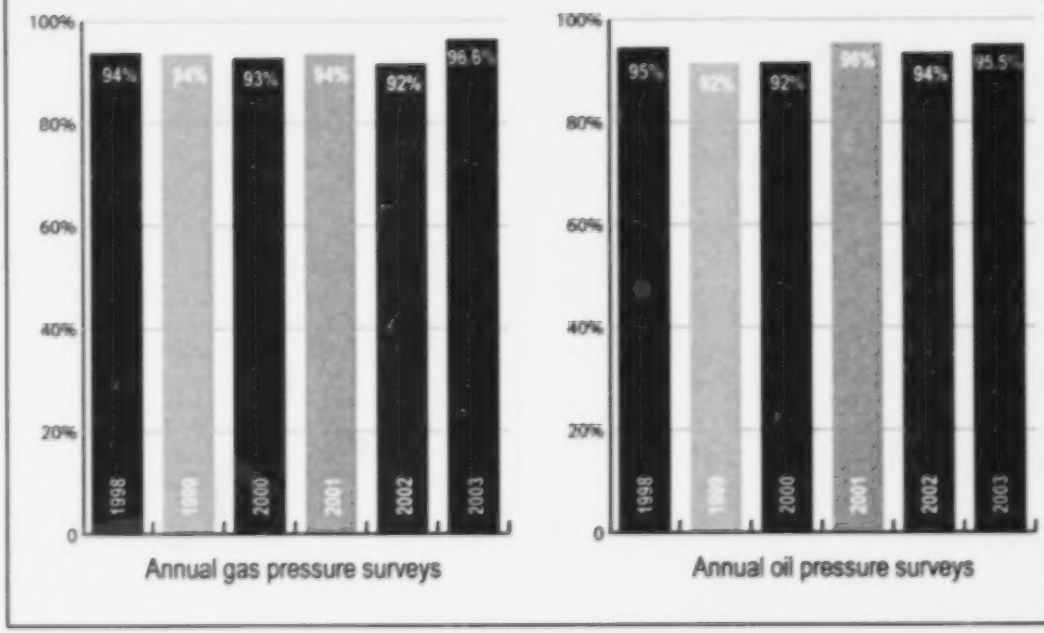

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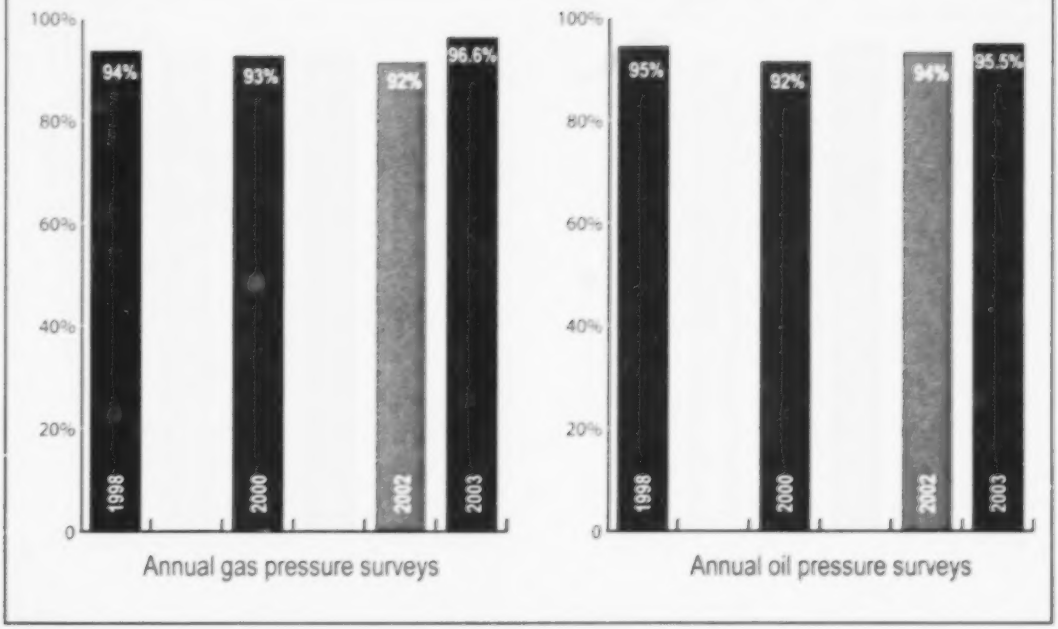
Figure 11. Proactive compliance rate for annual gas and oil pressure surveys: Minor category



Summary of Compliance Data for 1998-2002

Table 78. Annual Gas Pressure Survey

	1998	1999	2000	2001	2002
Pools requiring surveys	403	479	587	739	745
Pool requirements fulfilled	379	449	543	694	689
Minor					
Level 1 – Initial	24	30	38	42	56
Level 2 - Failure to comply	0	0	0	11	3
Level 3 – Failure to comply	0	0	0	0	0
Level 4 – Failure to comply	0	0	0	0	0
Orders issued	0	0	0	0	0
Proactive compliance rate for Minor	**94%**	**94%**	**93%**	**94%**	**92%**

Table 79. Annual Gas Pressure Survey Appeal Statistics

	1998	1999	2000	2001	2002
Total invoices	33	46	44	45	56
Appeals received	-	-	6	3	8
Appeal rate	-	-	**14%**	**7%**	**14%**
Appeals granted (credit memos)	9	16	6	3	3
Appeal denial rate	-	-	**0%**	**0%**	**63%**

- No historical data available.

Table 80. Annual Oil Pressure Survey

	1998	1999	2000	2001	2002
Pools requiring surveys	366	386	347	450	412
Pool requirements fulfilled	349	357	320	432	389
Minor					
Level 1 – Initial	17	29	27	15	23
Level 2 - Failure to comply	0	0	0	7	6
Level 3 – Failure to comply	0	0	0	0	0
Level 4 – Failure to comply	0	0	0	0	0
Orders issued	0	0	0	0	0
Proactive compliance rate for Minor	**95%**	**92%**	**92%**	**96%**	**94%**

Table 81. Annual Oil Pressure Survey Appeal Statistics

	1998	1999	2000	2001	2002
Total invoices	31	36	27	18	23
Appeals received	-	-	0	3	3
Appeal rate	-	-	**0%**	**17%**	**13%**
Appeals granted (credit memos)	14	7	0	3	1
Appeal denial rate	-	-	**0%**	**0%**	**66%**

- No historical data available.

- In 2002 the most common gas and oil pressure survey noncompliance event was the coordinating operators (two or more operators in the same pool) not conducting the required tests on time.

Detailed Compliance Data for 2003

Table 82. Annual Gas Pressure Survey

	2003
Pools requiring surveys	**534**
Pool requirements fulfilled	**516**
Minor	
Level 1 - Initial Minor	18
Level 2 - Failure to comply	5
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Proactive compliance rate for Minor	**97%**

Table 83. Annual Gas Pressure Survey Appeal Statistics

	2003
Total invoices	18
Appeals received	1*
Appeal rate	**6%**
Appeals granted (credit memos)	0
Appeal denial rate	**N/A**

*Appeal is outstanding.

Table 84. Annual Oil Pressure Survey

	2003
Pools requiring surveys	**402**
Pool requirements fulfilled	**384**
Minor	
Level 1 - Initial Minor	18
Level 2 - Failure to comply	0
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Proactive compliance rate for Minor	**95%**

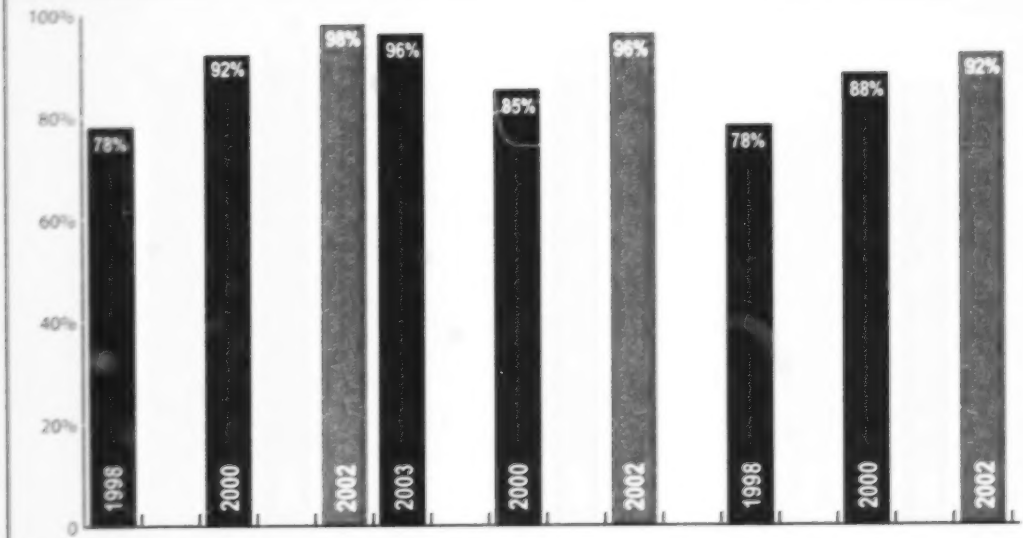
Table 85. Annual Oil Pressure Survey Appeal Statistics

	2003
Total invoices	18
Appeals received	2*
Appeal rate	**11%**
Appeals granted (credit memos)	0
Appeal denial rate	**N/A**

*Appeal is outstanding.

- The most common gas and oil pressure survey noncompliance event in 2003 was the coordinating operators (two or more operators in the same pool) not conducting the required tests on time.

Figure 12. Proactive compliance rate for initial oil and gas well pressure and gas well deliverability tests: Minor category



Summary of Compliance Data for 1998-2002

Table 86. Initial Oil Well Pressure

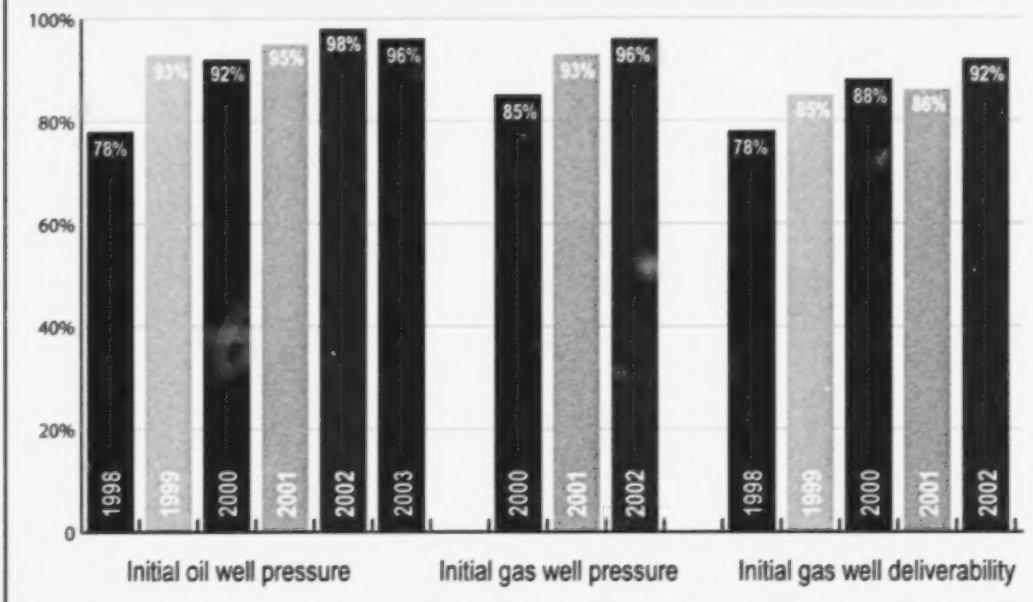
	1998	1999	2000	2001	2002
Wells that must meet pressure test requirements	1 730	1 562	1 730	13 484	18 785
Notice letters sent	377	114	136	724	404
Minor					
Level 1 – Initial	29	7	4	35	27
Level 2 – Failure to comply	0	1	0	10	5
Level 3 – Failure to comply	0	0	0	0	0
Level 4 – Failure to comply	0	0	0	0	0
Orders issued	0	0	0	0	0
Proactive compliance rate for Minor	**78%**	**93%**	**92%**	**95%**	**98%**

Table 87. Initial Oil Well Pressure Appeal Statistics

	1998	1999	2000	2001	2002
Total invoices	50	8	5	46	39
Appeals received	-	-	2	11	9
Appeal rate	-	-	**40%**	**24%**	**23%**
Appeals granted (credit memos)	21	1	1	11	8
Appeal denial rate	-	-	**50%**	**0%**	**11%**

- No historical data available.

Figure 12. Proactive compliance rate for initial oil and gas well pressure and gas well deliverability tests Minor category



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Notice letters sent	377	114	136	724	404
Minor					
Level 1 – Initial	29	7	4	35	27
Level 2 – Failure to comply	0	1	0	10	5
Level 3 – Failure to comply	0	0	0	0	0
Level 4 – Failure to comply	0	0	0	0	0
Orders issued	0	0	0	0	0
Proactive compliance rate for Minor	**78%**	**93%**	**92%**	**95%**	**98%**

Table 87. Initial Oil Well Pressure Appeal Statistics

	1998	1999	2000	2001	2002
Total invoices	50	8	5	46	39
Appeals received	-	-	2	11	9
Appeal rate	-	-	**40%**	**24%**	**23%**
Appeals granted (credit memos)	21	1	1	11	8
Appeal denial rate	-	-	**50%**	**0%**	**11%**

- No historical data available.

Table 88. Initial Gas Well Pressure

	1998	1999	2000 (Mar – Dec.)	2001 (Jan. – Dec.)	2002
Wells that must meet pressure Test requirements	-	-	4 952	19 070	28 442
Notice letters sent	-	-	740	1 310	1 129
Minor					
Level 1 – Initial	-	-	49	116	91
Level 2 – Failure to comply	-	-	3	18	17
Level 3 – Failure to comply	-	-	0	0	0
Level 4 – Failure to comply	-	-	0	0	0
Orders Issued	-	-	0	0	0
Proactive compliance rate for Minor	-	-	**85%**	**93%**	**96%**

- No historical data available.

Table 89. Initial Gas Well Pressure Appeal Statistics

	1998	1999	2000	2001	2002
Total invoices	-	-	5	46	119
Appeals received	-	-	2	11	28
Appeal rate	-	-	**40%**	**24%**	**24%**
Appeals granted (credit memos)	-	-	1	11	24
Appeal denial rate	-	-	**50%**	**0%**	**14%**

- No historical data available.

Table 90. Initial Gas Well Deliverability

	1998	1999	2000	2001	2002
Wells that must meet deliverability requirements	8 598	12 579	18 032	22 389	25 013
Notice letters sent	1 888	1 940	2 150	3 090	1 976
Minor					
Level 1 – Initial	150	89	81	177	74
Level 2 – Failure to comply	N/A	10	10	11	12
Level 3 – Failure to comply	0	0	0	0	0
Level 4 – Failure to comply	0	0	0	0	0
Orders issued	0	0	0	0	0
Proactive compliance rate for Minor	**78%**	**85%**	**88%**	**86%**	**92%**

Table 91. Initial Gas Well Deliverability Appeal Statistics

	1998	1999	2000	2001	2002
Total invoices	232	110	137	217	102
Appeals received	-	-	65	35	28
Appeal rate	-	-	**47%**	**16%**	**27%**
Appeals granted (credit memos)	82	21	56	40	28
Appeal denial rate	-	-	**14%**	**0%**	**0%**

- No historical data available.

- The number of oil and gas wells required to meet the initial pressure testing requirements has increased 39% and 49% in 2002 respectively. This increase is attributed to the market price of gas and crude making it more economically viable to produce other zones from wells drilled in previous years.

- The Well Test Data Section of the Resource Information Group allows licensees an opportunity to resubmit corrected data; this results in most appeals being granted as indicated.

Detailed Compliance Data for 2003

Table 92. Initial Oil Well Pressure

	2003
Wells that must meet pressure test requirements	**13 513**
Notice letters sent	**477**
Minor	
Level 1 - Initial Minor	107
Level 2 - Failure to comply	2
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Proactive compliance rate for Minor	**96%**

Table 93. Initial Oil Well Pressure Appeal Statistics

	2003
Total invoices	107
Appeals received	20
Appeal rate	**19%**
Appeals granted (credit memos)	17
Appeal denial rate	**15%**

Table 94. Initial Gas Well Deliverability

	2003
Wells that must meet deliverability requirements	**22 204**
Notice letters sent	**7 786**
Minor	
Level 1 - Initial Minor	549
Level 2 - Failure to comply	40
Level 3 - Failure to comply	0
Level 4 - Failure to comply	0
Orders issued	0
Proactive compliance rate for Minor	**65%**

Table 95. Initial Gas Well Deliverability Appeal Statistics

	2003
Total invoices	549
Appeals received	60
Appeal rate	**11%**
Appeals granted (credit memos)	46
Appeal denial rate	**23%**

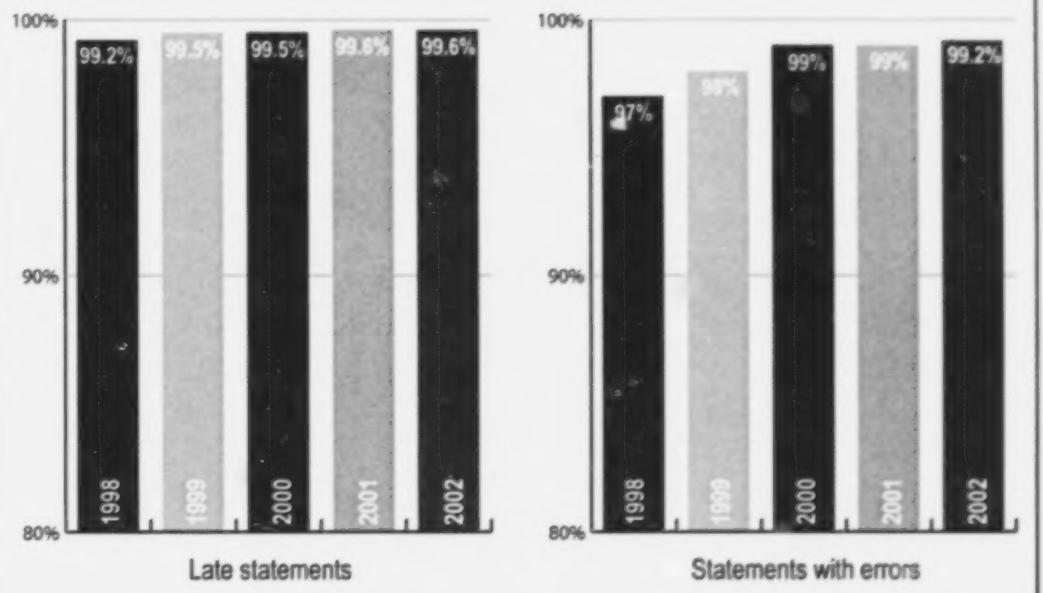
- In 2003 initial gas well pressure statistics are combined with initial gas well deliverability statistics due to the EUB group consolidating its process, which includes how it reports its statistics.

- The most common initial pressure testing noncompliance event in 2002 and 2003 was operators failing to address the outstanding requirements identified by EUB.

2.2.1.2 Production and Well Data Services Section

The Production and Well Data Services Section is responsible for the collection and validation of downhole well information and volumetric production information. The enforcement policy that production accounting reporting follows is outlined in *Informational Letter (IL) 97-1: Data Quality Management Program Monthly Production and Disposition Statements (S-1 and S-2).*

Figure 13 Proactive compliance rate for production accounting



Summary of Compliance Data for 1998-2002

Table 96. S-1 and S-2 Statements

	1998	1999	2000	2001	2002 (Jan-Sept)
S-1 and S-2 statements	272 398	271 26	295 391	323 602	281 495
Late statements (Level 1)	2 290	1 402	1 564	1 224	1 103
Proactive compliance rate for Minor	**99.2%**	**99.5%**	**99.5%**	**99.6%**	**99.6%**
Number of errors (Level 1)	8 335	6 203	3 278	3 647	2 344
Proactive compliance rate for Minor	**97%**	**98%**	**99%**	**99%**	**99.2%**

Table 97. Production Accounting Appeal Statistics

	1998	1999	2000	2001	2002 (Jan-Sept)
Total invoices	2 459	1 998	1 390	1 433	983
Appeals received	993	591	720	655	523
Appeal rate	**40%**	**30%**	**52%**	**46%**	**53%**
Appeals granted (credit memos)	752	456	633	582	499
Appeal denial rate	**24%**	**23%**	**12%**	**11%**	**5%**

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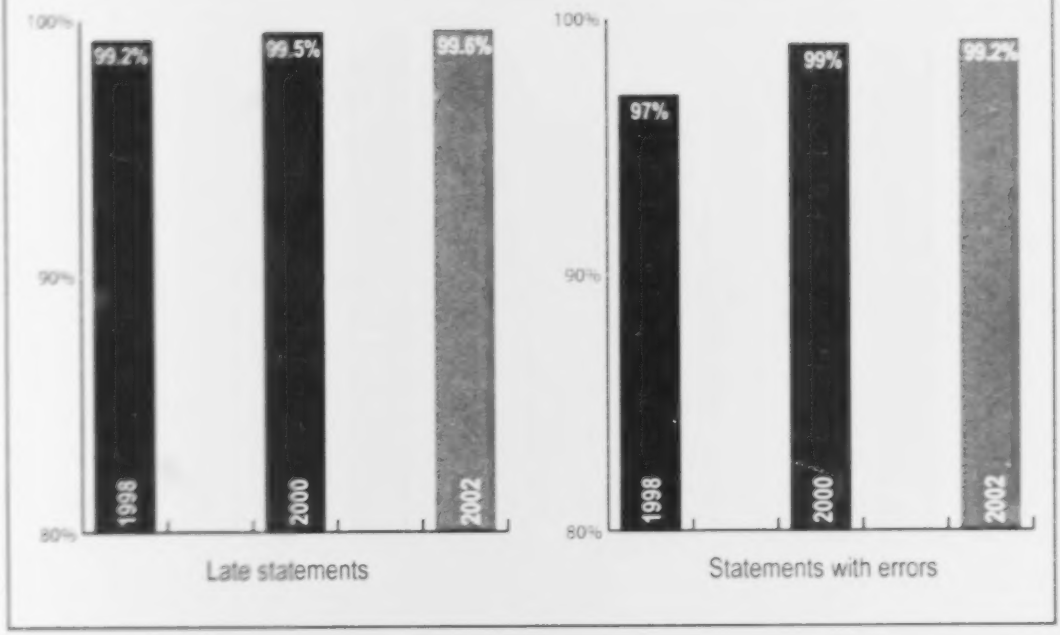

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- Data collection for 2002 was based on nine months of production reporting. With the implementation of the Petroleum Registry of Alberta in October 2002, the EUB no longer accepts S-4 statements or volumetric submissions. In September 2002, a draft version of *Guide 7: Production Accounting Handbook*, reflecting changes due to the implementation of the Petroleum Registry, was released for stakeholder feedback.

- Amendments to data submitted to the EUB prior to October 2002 were processed accordingly. The EUB initiated shadow billing for the last three months of 2002, which resulted in the absence of appeals.

- Industry continued to submit accurate S-1 and S-2 statements in a timely manner between 1998 and 2002. The proactive compliance rate for late statements has improved 0.4% and the percentage of error-free submissions has improved 2.2%.

- The appeal rate for invoices issued has remained consistently high, from 30% to 53%. This is partly due to S-4 statement errors impacting other EUB systems, resulting in the issuance of unnecessary S-1 and S-2 invoices.

- The appeal denial rate remains low. This is partly due to third-party paper keypunch errors and S-4 system problems. With the digital submission of production data by industry, as part of the Petroleum Registry of Alberta, the number of appeals is expected to decrease and the appeal denial rate is anticipated to increase.

2.2.2 Finance Group

2.2.2.1 Revenue and Cash Management Section

The Production Accounting and Resource Applications Group issue penalty invoices for noncompliance. If invoices are not paid within the given timeframe, the Revenue and Cash Management Section pursues follow-up action(s) with the licensee.

Summary of Compliance Data for 1998-2002

Table 98. Finance Branch Nonpayment of Fees

	1998	1999	2000	2001	2002
Level 2 enforcement	-	-	-	-	37
Level 3 enforcement	-	-	-	-	9
Level 4 enforcement	-	-	-	-	1

-No historical data available.

- The Finance Branch identifies nonpayment of fees from the EUB Aging Report, which identifies outstanding invoices not paid. From this report, the Revenue and Cash Management Section contacts the licensee and establishes a deadline for the payment. Failure to pay the invoice by the established deadline results in a Minor Level 2 noncompliance.

- With the introduction of the Petroleum Registry in 2002, no invoices were billed after September due to the shadow billing grace period to aid in industry's adoption of the process.

- Any appeals received by the Finance Branch are forwarded to either the Production Accounting or the Resources Application Group for disposition.

3 Appeals to the Enforcement Advisor

The Enforcement Advisor entertains second-level appeals on all audit/inspection categories of the EUB.

Summary of Compliance Data for 1998-2003

Table 99. Appeals to the Enforcement Advisor

	1998	1999	2000	2001	2002	2003
Appeals received	-	-	15	13	12	10•
Referred back to EUB group	-	-	2	1	2	0
Appeals granted	-	-	7*	4	3	2Δ
Appeals denied	-	-	6	8	7	7
Appeal denial rate	-	-	**46%**	**67%**	**70%**	**78%**

- No historical data available.
* Includes one appeal that was partially granted.
• One of these appeals was withdrawn.
Δ These two appeals were partially granted.